

## Message Text

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ACTION EUR-12

INFO OCT-01 AF-10 ARA-10 IO-13 ISO-00 AID-05 CEA-01  
CIAE-00 COME-00 EB-07 FRB-01 INR-07 NSAE-00  
EPG-02 SP-02 STR-04 TRSE-00 LAB-04 SIL-01 OMB-01  
AGRE-00 L-03 /084 W  
-----252027Z 043091 /63

R 251652Z MAY 77  
FM USMISSION EC BRUSSELS  
TO SECSTATE WASHDC 3891  
INFO ALL EC CAPITALS  
USDEL MTN GENEVA  
USMISSION GENEVA  
USMISSION OECD PARIS  
AMEMBASSY TANANARIVE  
AMEMBASSY LILONGWE  
AMEMBASSY BRIDGETOWN  
AMEMBASSY DAR ES SALAAM  
AMEMBASSY GEORGETOWN  
AMEMBASSY KINGSTON  
AMEMBASSY MBABANE  
AMEMBASSY NAIROBI  
AMEMBASSY PORT LOUIS  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY SUVA

UNCLAS SECTION 1 OF 2 EC BRUSSELS 5342

PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A  
TAGS: EAGR, EEC  
SUBJECT: ACP SUGAR

REF (A) EC BRUSSELS 4896, (B) EC BRUSSELS 4569

1. BEGIN SUMMARY. DETAILS FOLLOW ON THE 1977/78 EC GUARANTEED  
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PRICE AND STORAGE LEVY FOR ACP SUGAR. END SUMMARY

2. AS REPORTED REF A, THE EC GUARANTEED PRICE FOR ACP SUGAR  
IS 272.5 UA/MT FOR RAW SUGAR AND 338.5 US/MT FOR WHITE SUGAR  
FOR THE PERIOD MAY 1 77 - JUNE 30, 78. THESE PRICE LEVELS  
ARE EQUIVALENT TO THE 1977/78 EC SUPPORT PRICES FOR EC SUGARBEET  
PRODUCERS. THE GUARANTEED PRICE AFFECTS EC IMPORTS OF AROUND

1.3 MILLION MT AND AS MENTIONED EARLIER REPRESENTS THE PRICE AT WHICH EC INTERVENTION CENTERS WILL BUY ACP SUGAR IF THERE ARE NO OTHER MARKET OUTLETS. SEEING THAT NO ACP SUGAR HAS EVEN ENTERED INTO INTERVENTION, AS FAR AS IS KNOWN, THE EC GUARANTEED PRICE SERVES MORE IMPORTANTLY AS A GUIDE FOR COMMERICAL TRANSACTIONS.

3. DURING THE EC-ACP PRICE FIXING NEGOTIATIONS, ACP COUNTRIES WANTED THE EC TO COMMIT ITSELF AS TO WHAT THE ACUTAL COMMERICAL PURCHASE PRICE WOULD BE ON THE EC MARKET FOR ACP SUGAR. THIS THE EC COULD NOT FORMALLY DO. HOWEVER, FOLLOWING CORRIDOR CHATS WITH THE UK REFINER TATE AND LYLE (WHICH TAKES ABOUT 96 PERCENT OF ALL IMPORTS OF ACP SUGAR) THERE WAS A STATEMENT INSERTED IN THE OFFICIAL PRESS COMMUNIQUE AFTER THE NEGOTIATIONS THAT "THE COMMUNITY EXPECTS THAT THE GUARANTEED PRICE FOR ACP RAW SUGAR AND THE ADOPTION OF THE PROPOSED SPECIAL BALANCING STORAGE LEVY SYSTEM FOR REFERENTIAL SUGAR WILL ENABLE THE ACP TO SECURE ON THE COMMUNITY'S MARKET, DURING THE DELIVERY PERIOD 1977/78, A PRICE OF NOT LESS THAN 28.20 UA/100 KGS." THE COMMUNIQUE FURTHER STATES THAT "IN RESPECT OF ACP WHITE SUGAR IT IS THE EXPECTATION OF THE COMMUNITY THAT THE GUARANTEED PRICE WILL RESULT IN A MARKET PRICE OF 35.60 UA/100 KGS."

4. THE EC MARKET PRICE FOR ACP RAW SUGAR WAS ESTIMATED BY TATE AND LYLE ON THE BASIS OF THE GUARANTEED PRICE PLUS NET STORAGE COSTS PLUS OTHER PACKAGING AND TRANSPORT COSTS. IF THE UK MARKET PRICE ENDS UP BEING MORE FAVORABLE THAN EXPECTED, ACP SUPPLIERS WILL GET A PORIION OF THE SUPPLEMENTARY MARGIN. THE MARKET PRICE FOR ACP WHITE SUGAR DOES NOT SERIOUSLY CONCERN ACP EXPORTERS SINCE ONLY A TINY PART OF WHAT THEY SEND IS IN WHITE SUGAR. THE EUROPEANS UNCLASSIFIED

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CALCULATED THE ACP WHITE SUGAR MARKET PRICE BY TAKING THE DERIVED INTERVENTION PRICE FOR WHITE SUGAR IN THE UK AND ADDING THE 1.77 UA/100 KG STORAGE LEVY.

5. COMMUNITY NEGOTIATORS ALSO AGREED TO APPLY A LOWER EC STORAGE LEVY FOR PREFERENTIAL IMPORTED SUGAR THAN FOR EC SUGAR. UNDER THE EC MINIMUM STOCK POLICY, EC MANUFACTURERS ARE ASSESSED A STORAGE LEVY ON THE SUGAR THEY SELL AT THE TIME OF SALE, WHICH THEY USUALLY PASS ON IN THEIR SELLING PRICE TO CONSUMERS. FOR IMPORTED PREFERENTIAL SUGAR, THIS EC STORAGE LEVY IS APPLIED AT THE TIME OF IMPORTATION. EC MANUFACTURERS ALSO RECEIVE A STORAGE SUBSIDY OF .30 UA/100 KG/MONTH. EC SUGAR SOLD INTO INTERVENTIN IS NOT ASSESSED A LEVY, HOWEVER, INTERVENTION CENTERS RECEIVE STORAGE SUBSIDIES AND PAY THE LEVY AT THE TIME THE SUGAR IS WOLD ON THE MARKET.

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6. THE STORAGE LEVY SUBSIDY SCHEME IS INTENDED TO BE DESIGNED SO AS TO EQUALIZE LEVY RECEIPTS AND SUBSIDY OUTLAYS. COMMISSION TECHNICAIANS HAVE CALCULATED THE AVERAGE STORAGE PERIOD FOR 100 KGS OF EC SUGARBEET AT 5.9 MONTHS, THUS (.30 UA X 5.9) DIVIDED BY 100 KGS EQUALS 1.77 UA/QPP KGS. ACP RAW SUGAR, HOWEVER, IS GENERALLY STORED FOR A LESSER PERIOD OF TIME, 2.35 MONTHS AS THE COMMISSION CALCULATES, AND THEREFORE THE EC AGREED IN THE UNCLASSIFIED

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EC-ACP PREICE FIXING TO LOWER THE STORAGE LEVY ON PREFERENTIAL RAW SUGAR. ACCORDINGLY, EFFECTIVE 1 JUL 77, THE EC STORAGE LEVY FOR IMPORTED PREFERENTIAL RAW SUGAR WILL BE 0.65 UA/100 KG.

7. ACCORDING TO GUYANA SOURCES, THE ACP COUNTRIES ARE NOT COMPLETELY SATISFIED WITH THE DEAL THEY RECEIVED FROM THE EC DURING THIS YEAR'S GUARANTEED PRICE NEGOTIATIONS. HOWEVER, COMMISSION OFFICIALS FEEL STRONGLY THAT THE DEAL IS THE BEST THE EC CAN DO AND CERTAINLY REPRESENTS MUCH MORE FAVORABLE CONDITIONS THAN THE ACP EXPORTERS COULD GET ON THE WORLD MARKET.

8. COMMENT. DESPITE SOME DISSATISFACTION ON THE PART OF THE ACP'S, THE SUGAR NEGOTIATIONS WENT SURPRISINGLY WELL. THE ANNUAL EC/ACP NEGOTIATIONS OVER THE GUARANTEED PRICE FOR ACP SUGAR IMPORTS HAVE BEEN ONE OF THE THORNIER PROBLEMS OF THE LOME CONVENTION. COMMISSION OFFICIALS THIS YEAR ADOPTED THE NEW APPROACH OF USING "COMPARABLE NET RETURNS" OF EC AND ACP SUGAR PRODUCERS IN DETERMINING THE GUARANTEED PRICE. THIS MEANS THAT ACP SUPPLIERS CAN'T BE MORE FAVORABLY TREATED THAN COMMUNITY PRODUCERS AND CONVERSELY CAN'T RECEIVE A GUARANTEED PRICE LOWER THAN THE LOWEST EC INTERVENTION PRICE. FOR RAW SUGAR THIS WILL MEAN IN EFFECT THAT ACP GUARANTEED PRICE WILL BE THE EC INTERVENTION PRICE, THE EC PRODUCER'S NET RETURN BEING CONSIDERED THE LOWEST NET GUARANTEED PRICE HE CAN GET. THIS APPROACH AND RESULTANT EC PRICE OFFER HELPED TO DEFUSE ACP COMPLAINTS THAT THEY WERE BEING UNFAIRLY TREATED THIS YEAR. COMMISSION OFFICIALS INTEND TO CONTINUE WITH THIS APPROACH IN THE FUTURE. OFFICIALS INVOLVED IN THE NEGOTIATIONS SAY THAT COMMISSIONER GUNDELACH PLAYED A CONCILIATORY ROLE IN THE NEGOTIATIONS BECAUSE OF HIS FRANK, OPEN APPROACH TOWARD THE ACP'S. HINTON

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## Message Attributes

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